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Small Business Faces Big Bite

House Health Bill Penalties Aim at Tiniest Employers for Not Providing Insurance

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WASHINGTON — House Democrats on Tuesday unveiled sweeping health-care legislation that would hit all but the smallest businesses with a penalty equal to 8% of payroll if they fail to provide health insurance to workers.

The House bill, which also would impose new taxes on the wealthy estimated to bring in more than \$544 billion over a decade, came as lawmakers in the Senate raced against a self-imposed deadline of this week to introduce a bill in time for action this summer.

Senators face a tougher battle because they are striving for a bipartisan bill. Key senators are weighing a combination of several more-modest fiscally-raising provisions, including some new fees on health-care industries.

Under the House measure, employers with payrolls exceeding \$400,000 a year would have to provide health insurance or pay the 8% penalty. Employers with payrolls between \$25,000 and \$400,000 a year would pay a smaller penalty, and those less than \$25,000 would be exempt. Certain small firms would get tax credits to help buy coverage.

The relatively low thresholds for penalties triggered the sharpest criticism yet from employer groups, who said the burden on small business is too high and doesn't do enough to help them expand insurance coverage.

"This bill costs too much, it covers too few and it has way too much government involvement," said Michelle Dianich, a lobbyist with the National Federation of Independent Business, the main trade group for small firms. "Small business doesn't want any of those things."

According to 2006 data from the federation, businesses with between five and nine workers, representing about one million employers, had an average payroll of around \$175,000 a year. A report from the Kaiser Family Foundation found that only about half of firms with three to nine workers offered health benefits in 2008.

House Speaker Nancy Pelosi unveiled the measure on Tuesday, praising it as a historic step toward insuring all Americans that has eluded lawmakers for decades. "This bill is a starting point and a path to success to lower costs to consumers and businesses," the California Democrat said.

The Congressional Budget Office on Tuesday calculated the cost of the House's plan to expand insurance coverage at \$1.14 trillion over 10 years, and predicted the measure would eventually lead 97% of legal American residents to have insurance. That's in line with President Barack Obama's desired budget for a health overhaul and lawmakers' pledges for expanding coverage.

The estimate doesn't factor in the plan to pay for the bill, including the new tax on wealthy Americans, or certain changes to Medicare and Medicaid, all of which could affect the final price tag.

The House bill would place new taxes on the wealthiest people to help expand insurance coverage to the nation's